The House Commerce Committee

Backgrounder

Electric Power to Choose

The House Commerce Committee • Thomas J. Bliley, Jr., Chairman • February 12, 1997

BREAKING UP THE POWER MONOPOLIES

After more than 14 years of gridlock, Congress last year enacted historic reforms of the communications laws, giving consumers the freedom to choose their own local telephone provider and television cable companies.

Today, the Commerce Committee has even a *bigger* goal in mind -- breaking up the $200 billion electric utility monopoly (the biggest monopoly left), and giving consumers the power to choose their own electric utility company.

While the issue is complex, it's a simple goal: to ensure that within a concise, definite period of time, all classes of electric consumers will have a choice of electricity providers when they turn on the light switch.

CONSUMER SAVINGS OF 15 TO 43 %

Two separate academic studies have estimated that "Power to Choose" will cut the average American electric bill by anywhere from 15 to 43 percent.

Based on an average monthly power bill of $69, Clemson University economists have projected average household savings of from $124 to $356 per year.

A second study by the Heritage Foundation confirms average household savings from competition in the electricity industry of about $30 a month.

Competition in eletricity is already happening in a handful of places, where, according to *The Richmond Times-Dispatch,* consumers are already reaping savings of between 15-20 percent, even after paying their former electric carrier a small charge for use of their wires.

As Ricardo Byrd, nationally-known community activist and Executive Director of the National Association of Neighborhoods, says, *"for somebody living in the inner city, a 15 or 25 percent saving on an electric bill might mean the ability to keep an outside light — one of the best deterrents against crime."* (Byrd can be contacted for interviews at 202-332-7766).

HISTORY PROVES COMPETITION WORKS

A recently-issued study by The Brookings Instution and George Mason University examined deregulation of the natural gas, telecommunications, airline, trucking and railroad industries, and concluded that, in each case, competition lowered prices, enhanced reliability and improved service.

In the long distance telephone industry, the study found, rates delined by as much as 47 percent in the decade between 1984 to 1994. In the natural gas and trucking industries, prices shot down by *more* than half in the 10 years following deregulation. And in each case, service reliability and product safety were *improved*, the researchers found.

THE IMPACT ON EDUCATION

For educators, utility costs are the second biggest expense in the budget -- smaller only than salaries and pensions. To them, competition in electricity means the chance to spend precious dollars in the class room, instead of on electricity.

According to the *Baton Rouge Business Report,* Lousiana State University alone spent $8.5 million last year on electricity -- more than it spent on libraries, $2.5 million more than it spent on scholarships.

If competition reduced LSU's energy bill just by 15 percent, the savings would be enough to educate another 960 undergraduates, every year, tuition free.

Charles Duffy, Executive Director of a purchasing consortium serving eight county-wide school districts in West Virginia, calculates that *even a 10 percent saving in electric utility rates -- about $300,000 -- would be enough to buy 6 new computers for each of his 16 high schools, plus pay the starting salaries for 3 new Reading instructors and 6 additional Teacher's aides.* Mr. Duffy can be contacted for interviews at 304-267-3599.

FOR FURTHER INFORMATION

For more information on electric "Power to Choose," contact the House Commerce Committee Press Office, at (202) 225-5735.